

Gamuda (GAM MK)

1QFY26: Seasonally Slower Start; But Growth Narrative Still Intact

Highlights

- **Below expectations (15% of ours and consensus' expectation)**, Gamuda charted weaker-than-expected earnings growth of only 4% yoy. Gamuda declared a 5 sen interim dividend (1% yield; 140% payout).
- **Maintain BUY with a higher target price of RM6.21**, as we roll-over valuations to FY27. We cut our FY26 earnings forecasts by 6% to reflect delays in overseas project progress.

1QFY26 Results

Year to 31 Jul (RMm)	1QFY26 (RMm)	qoq chg (%)	yoy chg (%)
Revenue	3,839.9	(20.7)	(7.2)
Engineering & Construction	3,053.5	(21.2)	(0.9)
Property Dev & Club Operations	786.4	(18.6)	(25.4)
EBIT	321.2	(35.9)	4.7
Engineering & Construction	213.8	(29.7)	26.5
Property Dev & Club Operations	107.4	(45.5)	(22.0)
PBT	282.3	(42.7)	9.0
PATAMI	215.1	(35.2)	4.7
Core PATAMI	207.2	(36.1)	3.7
Margin (%)			
EBIT - Construction	7.0	-0.8	1.5
EBIT - Prop Dev	13.7	-6.7	0.6
PBT	7.4	-2.8	1.1
Core PATAMI	5.4	-1.3	0.6

Source: Gamuda, UOB Kay Hian

Analysis

- **Seasonally weaker quarter, but below expectations.** Gamuda reported a 1QFY26 core net profit of RM207m (-36% qoq, +4% yoy) on a revenue of RM3.8b (-21% qoq, -7% yoy). 1QFY26 earnings came in at only 15% of our and consensus' estimates due to: a) timing delay and gaps in overseas projects, and b) absence of lumpy UK West Hampstead contributions from FY25. Despite expecting higher progress billings for overseas construction projects for the rest of FY26 and better contributions from Vietnam quick turnaround projects (QTPs), we still deem results to be below expectations.

Key Financials

Year to 31 Jul (RMm)	FY24	FY25	FY26F	FY27F	FY28F
Net turnover	13,347	15,970	20,625	26,785	34,196
EBITDA	1,108	1,536	2,022	2,556	3,050
Operating profit	945	1,337	1,829	2,363	2,853
Net profit (rep./act.)	912	1,003	1,315	1,654	1,999
Net profit (adj.)	884	981	1,315	1,654	1,999
EPS	31.9	17.7	23.8	28.7	34.6
PE	16.1	28.9	21.6	17.9	14.8
P/B	1.2	2.4	2.2	2.2	2.1
EV/EBITDA	34.6	25.0	19.0	15.0	12.6
Dividend yield	3.1	1.9	2.3	2.9	3.9
Net margin	6.8	6.3	6.4	6.2	5.8
Net debt/(cash) to equity	45.8	57.2	62.4	67.7	69.6
Interest cover	6.4	8.6	10.4	10.9	11.4
ROE	9.4	8.6	10.7	12.7	14.4
Consensus net profit	n.a	n.a	1,387.3	1,768.8	2,098.9
UOBKH/Consensus (x)	n.a	n.a	0.95	0.94	0.95

Source: Gamuda, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM5.13
Target Price	RM6.21
Upside	21.1%
Previous TP	RM5.88

Analyst(s)

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Stock Data

GICS Sector	Construction
Bloomberg ticker	GAM MK
Shares issued (m)	5,891.4
Market cap (RMm)	30,222.8
Market cap (US\$m)	7,340.1
3-mth avg daily t'over (US\$m)	18.7

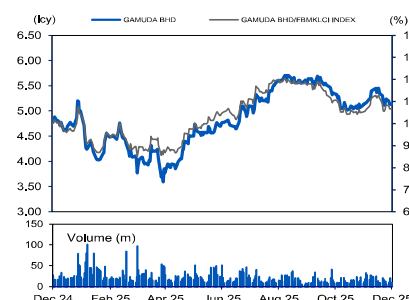
Price Performance (%)

52-week high/low					RM5.80/RM3.48
1mth	3mth	6mth	1yr	YTD	
1.2	(8.7)	9.1	11.3	8.2	

Major Shareholders

	%
Employees Provident Fund Board	18.8
Generasi Setia M Sdn Bhd	3.7
Vanguard Group	3.7
FY26 NAV/Share (RM)	2.29
FY26 Net Debt/Share (RM)	1.43

Price Chart



Source: Bloomberg

Company Description

Gamuda is a civil engineering construction company with exposure to property development and water concessions.

- **Construction segment: Overseas contract dragging top-line, but domestic contracts lifted overall margins and earnings.** In 1QFY26, the construction and engineering division charted an EBIT of RM214m (+27% yoy) despite lower revenue of RM3.0b (-1% yoy). The resilient performance was driven by better progress billings from domestic projects, offsetting slower overseas contribution (>70% construction at early stages and a temporary gap from the Sydney Metro West – Western Tunnelling Package which is nearing completion). Notably, EBIT margin improved to 7.0ppt (+1.5ppt yoy) as domestic projects which command higher profitability margin made up 41% of construction revenue (1QFY25:27%).
- **Property segment: Weaker sequentially on absence of lumpy UK project.** In 1QFY26, Gamuda's property segment charted lower revenue of RM860m (-22% yoy) and net profit of RM60m (-6% yoy). The lacklustre top-line was mainly dragged by the absence of last year's lumpy earnings from the UK West Hampstead project. Excluding this project, the property segment would have charted revenue and net profit growths of 18% and 62% respectively. 1QFY26 property sales reached 15% of management's FY26 RM5.5b target, with unbilled sales standing at RM8b. Management expects Vietnam QTP contributions to significantly improve over the rest of FY26.
- **Construction orderbook well supported by domestic and overseas pipeline.** Gamuda's orderbook was at RM37b as of 1QFY26, with RM1.1b new wins secured FYTD. Management maintained its guidance of RM40b-45b orderbook by end-25, as several project tenders are in their finalisation stages. The RM50b-55b orderbook target by end-2026 remains intact, as the group targets to secure RM25b-30b worth of contracts within 2026.
 - **Domestic:** The award of infrastructure projects such as Penang Perak Water Infrastructure, remaining system packages of Penang LRT and MRT 3 tenders may be within 2026. For private job flows, Gamuda is in a good position to secure 2-3 data centre (DC) contracts that will be finalised within 2026, with the Negeri Sembilan DC being a low hanging fruit.
 - **Australia: Pivoting into renewable sectors, besides traditional infrastructure.** Gamuda is pursuing projects with tender value of over A\$10b, while Australia pipeline opportunities are at over A\$50b in FY26-29. Both Gamuda Australia and its subsidiary, DT Infrastructure (DTI) have early contractor involvement (ECIs) and submitted tenders in multiple renewable projects which will be awarded soon (>A\$4b total contracts value). DTI is also the preferred contractor for the Marinus Link project (>A\$1b) via a joint venture with Samsung C&T, which is yet to be awarded. Gamuda is also on the final shortlist for the Sunshine Coast Railway in Brisbane and Northland Corridor highway in New Zealand, with tender outcomes expected in 1H26.
 - **Taiwan:** The Xizhi Donghu MRT in Taiwan has additional works worth NT\$60b/RM8.1b which will be awarded separately to Gamuda's JV not later than seven years, which may see some drawdown in FY26.

Valuation/Recommendation

- **Maintain BUY with a higher SOTP-based target price of RM6.21**, as we rollover our valuations to FY27, and adjusted diluted share base after factoring in dilution from the new employees share option scheme (ESOS). Our target price implies 22x FY27F PE (+1.5SD above mean).

Earnings Revision/Risk

- **We reduced our FY26 earnings forecast by 6%** to factor in timing delays in overseas projects.

Orderbook as of 1QFY26

Projects	Value Rmb	Progress %
Malaysia:		
Penang Mutiara Line (60% share)	5.8	9
Silicon Island Phase 1	4.5	15
Rasau WTP Phase 1	1.1	45
Data Center Projects	2.9	30
Upper Padas Hydro Dam (75% share)	2.1	13
Enabling work for DC campus	0.7	29
Sarawak Coastal Highway (65% share)	0.7	1
Australia:		
SMW-WTP	0.3	97
Coffs Harbour Bypass (50% share)	0.8	66
M1 Motorway (40% share)	0.2	84
Sydney Water (50% share)	0.2	0
DTI projects	5.9	68
Taiwan:		
Tao Yuan underground (60% share)	1.0	19
Kaoshiung MRT YC01 (88% share)	2.8	3
Xizhi Donghu MRT (75% share)	2.7	13
Marine Structure (70% share)	2.5	0
Others	0.4	66
Singapore:		
Defu station (60% share)	0.4	55
West Coast Station	1.5	13
Total Orderbook	36.6	

Source: Gamuda, UOB Kay Hian

Segmental Forecasts

Revenue (Rmb)	FY26F	FY27F	FY28F
Engineering & Construction	15.6	20.0	25.0
Property Dev & Club	4.9	6.6	9.1
Water Concession	0.1	0.1	0.1
Total	20.63	26.79	34.20
EBIT (Rmb)			
Engineering & Construction	1.13	1.51	1.81
Property Dev & Club	0.61	0.77	0.96
Water Concession	0.08	0.08	0.08
Total	1.83	2.36	2.85

Source: Gamuda, UOB Kay Hian

SOTP Valuations

	RMm	Remarks
Construction	31,540	25x FY27 PE
Property	10,160	10% discount to RNAV
Water concession	1,772	
Less Net Debt	(6,870)	
Total SOTP value	36,602	
Diluted no. of shares (m)	5,890	
Target Price (RM)	6.21	

Source: Gamuda, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

Environmental

- Commits to reducing greenhouse gas emission intensity by 30%/45% in 2025/30.

Social

- Well-diversified workforce in terms of gender: female (43%) and male (57%).

Governance

- Independent directors make up 57% of its board.

Source: Gamuda, UOB Kay Hian

Profit & Loss

Year to 31 Jul (RMm)	FY25	FY26F	FY27F	FY28F
Net turnover	15,970	20,625	26,785	34,196
EBITDA	1,536	2,022	2,556	3,050
Deprec. & amort.	199	193	192	197
EBIT	1,337	1,829	2,363	2,853
Associate contributions	145	83	86	89
Net interest income/(expense)	(179)	(195)	(235)	(267)
Pre-tax profit	1,304	1,716	2,214	2,675
Tax	(257)	(343)	(487)	(588)
Minorities	(44)	(58)	(72)	(87)
Net profit	1,003	1,315	1,654	1,999
Net profit (adj.)	981	1,315	1,654	1,999

Balance Sheet

Year to 31 Jul (RMm)	FY25	FY26F	FY27F	FY28F
Fixed assets	6,441	7,990	9,038	10,085
Other LT assets	4,873	4,943	5,012	5,081
Cash/ST investment	3,260	3,957	3,956	3,957
Other current assets	16,549	19,284	23,378	27,897
Total assets	31,123	36,174	41,383	47,020
ST debt	2,493	2,370	2,611	2,781
Other current liabilities	8,212	10,699	13,755	17,510
LT debt	7,637	9,482	10,444	11,124
Other LT liabilities	628	760	850	949
Shareholders' equity	12,000	12,651	13,440	14,285
Minority interest	153	211	283	371
Total liabilities & equity	31,123	36,174	41,383	47,020

Cash Flow

Year to 31 Jul (RMm)	FY25	FY26F	FY27F	FY28F
Operating	(81)	1,369	884	1,530
Pre-tax profit	1,304	1,716	2,214	2,675
Tax	(257)	(343)	(487)	(588)
Deprec. & amort.	199	193	192	197
Associates	(145)	(83)	(86)	(89)
Working capital changes	(1,141)	(115)	(949)	(665)
Other operating cashflows	0	0	0	0
Investing	(1,255)	(1,721)	(1,223)	(1,225)
Capex (growth)	(1,291)	(1,721)	(1,223)	(1,225)
Proceeds from sale of assets	20	0	0	0
Others	16	0	0	0
Financing	1,838	1,048	337	(304)
Dividend payments	(154)	(664)	(866)	(1,154)
Issue of shares	195	0	0	0
Proceeds from borrowings	2,337	2,177	762	814
Others/interest paid	(540)	0	0	0
Net cash inflow (outflow)	502	696	(1)	1
Beginning cash & cash equivalent	2,596	3,260	3,957	3,956
Changes due to forex impact	(85)	0	0	0
Ending cash & cash equivalent	3,013	3,957	3,956	3,957

Key Metrics

Year to 31 Jul (%)	FY25	FY26F	FY27F	FY28F
Profitability				
EBITDA margin	9.6	9.8	9.5	8.9
Pre-tax margin	8.2	8.3	8.3	7.8
Net margin	6.3	6.4	6.2	5.8
ROA	3.5	3.9	4.3	4.5
ROE	8.6	10.7	12.7	14.4
Growth				
Turnover	19.7	29.1	29.9	27.7
EBITDA	38.6	31.6	26.4	19.3
Pre-tax profit	18.8	31.6	29.0	20.8
Net profit	10.0	31.1	25.8	20.8
Net profit (adj.)	11.0	34.0	25.8	20.8
EPS	(44.4)	34.0	20.7	20.8
Leverage				
Debt to total capital	45.5	48.0	48.8	48.7
Debt to equity	84.4	93.7	97.1	97.3
Net debt/(cash) to equity	57.2	62.4	67.7	69.6
Interest cover	8.6	10.4	10.9	11.4

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